

Servicemembers' Civil Relief Act

- * The Servicemembers' Civil Relief Act (SCRA) provides protection to servicemembers in a variety of civil law areas, but its protections are limited regarding issues associated with the housing market decline.
- * SCRA relief based on an inability to make mortgage payments applies only to mortgage debts incurred prior to entry on active duty and requires that the member's ability to pay is "materially affected by military service." Most of the home purchases that are creating hardship took place after the member entered active duty, for which SCRA relief is unavailable.
- * The SCRA has a provision allowing members to terminate residential leases early due to PCS or deployment. Many rental agreements also contain military clauses that similarly provide for early termination due to military transfer.

For additional information or assistance, contact your legal assistance office.

Renters - Forced Moves Due to Foreclosures on Landlords

- * A recent change to the Joint Federal Travel Regulation allows local moves at government expense when members are forced to move because of foreclosure actions against their landlords. State law varies on notice requirements and the timing of forced moves due to foreclosure.

For additional information or assistance, contact your base housing office or legal assistance office.

HELPFUL WEBSITES

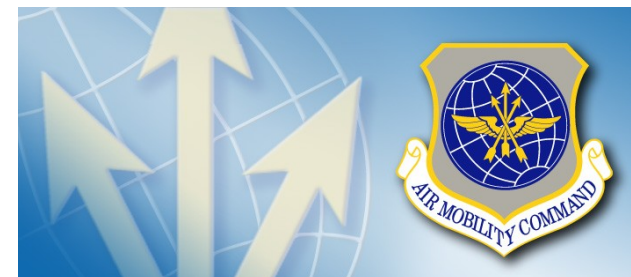
- * IRS publication on the tax consequences of foreclosure or short selling property:
<http://www.irs.gov/pub/irs-pdf/p4681.pdf>
- * Housing and Urban Development web site on foreclosures:
<http://www.hud.gov/foreclosure/foreclosureprocess.cfm>
- * Educational site on avoiding foreclosure:
<https://www.housingeducation.org/edi/index.html>
- * Website for bankruptcy courts:
<http://www.uscourts.gov/bankruptcycourts.html>



Air Mobility Command

HQ AMC
Administrative
Law
Division

ASSISTANCE FOR AIRMEN IMPACTED BY THE HOUSING MARKET DECLINE



Housing markets across the country have seen unprecedented levels of volatility recently, catching many military members off-guard. Members who bought a home and are PCSing may find that selling their home may be difficult or costly. For those in that situation, the following information and resources may be helpful.

Personal Financial Counseling

- * The Airman & Family Readiness Center (A&FRC) offers personal financial counseling and seminars on home buying/renting, foreclosure, bankruptcy, debtor/creditor issues and consumer matters.
- * A&FRC staff will also connect military & family members with anonymous telephone and off-base face-to-face financial counseling. Whether airmen and their families need advice for a specific debt problem or just want to learn finance basics, A&FRC staff can help them analyze their situation & develop a plan.

For additional information or assistance, contact your Airman and Family Readiness Center.

Renting Instead of Selling at a Loss

- * If property values have declined and selling your home upon PCS is not feasible or would create hardship, renting it out on a temporary or long-term basis might make sense.
- * Potential benefits of keeping property as a rental include buildup of equity, tax benefits from expenses and depreciation, and reducing losses if property values increase over time.

For additional information or assistance, contact your legal assistance or housing office.

Foreclosure

- * Depending on the circumstances, selling or keeping property for rental purposes may not be feasible. If mortgage payments are not kept current, foreclosure is the ultimate remedy for the lender.
- * Foreclosure is the forced loss of ownership of the property through a cumbersome legal process, which may result in a debt owed by the borrower consisting of the difference between the amount recovered by the lender through the sale of the property and the amount owed on the mortgage.
- * Foreclosure may be the most destructive way to forfeit a home in terms of damage to credit and the ability to acquire another mortgage in the future.
- * Borrowers should consider other options, such as renegotiating loan terms with the lender, refinancing with a reduced payment or a voluntary short sale (discussed below), before allowing their home to go into foreclosure.



Lender-Assisted or “Short” Sales

- * A “short” or lender-assisted sale is one in which the lender agrees to accept less than is owed on its mortgage, usually, but not necessarily, after the homeowner is behind on payments.
- * A short sale proposal can be initiated by either the lender or borrower. The lender benefits by avoiding the cumbersome and time-consuming foreclosure process. The borrower may benefit through less or no debt resulting from any difference between the selling price and the higher amount owed on the mortgage.
- * Like a foreclosure, a short sale may have a negative effect on your credit, but the impact generally lasts for a shorter period of time, according to recent Fannie Mae guidelines.

For additional information or assistance, contact your legal assistance office.

Personal Bankruptcy

- * Bankruptcy is a personal legal option for members to recover from extreme financial difficulty, but it generally will not affect the rights of secured creditors, such as mortgage lenders, to recover the property if the borrower is unable to continue to make required payments. “Homestead” exemptions apply when the bankrupt individual has equity in the principal residence that can be shielded from other creditors during a bankruptcy, but homestead exemptions will not keep a lender from foreclosing on a property if mortgage payments are not paid.
- * Chapter 7 bankruptcies are called “Liquidations.” If the debtor is eligible for a Chapter 7 bankruptcy based on a means test, all non-exempt assets are sold by a trustee and the proceeds are used to pay creditors. After this action, subject to certain exceptions, the remaining debts, which could include debts resulting from the difference between the sales price of the debtor’s home and amounts that were owed on mortgages, are discharged or eliminated.
- * Chapter 13 bankruptcies are called “Personal Reorganizations.” For three to five years, the debtor’s disposable income is sent to a trustee, who pays the creditors. After this period, the remaining debts, subject to certain exceptions, are discharged.
- * In Chapter 13 bankruptcies, debtors may keep their homes if they can continue to make payments *and* get caught up on amounts past due during the trusteeship period.
- * A bankruptcy will have a negative impact on credit and limit the ability to borrow for a period of years.



For additional information or assistance, contact your legal assistance office.